



**STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES**

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RAYMOND H. SATO

COMPTROLLER

MARY PATRICIA WATERHOUSE
DEPUTY COMPTROLLER

JUL 2 1998

DIRECTOR: J. J. J.
DEPT. OF
REVENUE
JUL 6 10 03 AM '98

COMPTROLLER'S MEMORANDUM NO. 1998-16

TO: Heads of Departments
ATTN: Administrative or Fiscal Offices
SUBJECT: Per Diem for Same Day Travel

Effective January 1, 1998, per diem reimbursement related to travel that does not require an employee to be away from his home overnight is taxable. This change is required under Internal Revenue Code Section 162 which defines deductible travel expenses.

Deductible travel expenses are allowed only when the employee is "away from home." Secondly, the employee's duties must "...require him to be away from the general area of his tax home substantially longer than an ordinary day's work and during the time off while the taxpayer is away from home he needs to get sleep or rest to meet the demands of his work." This second requirement which was adopted by the Supreme Court in the Correll v. U.S. case is commonly referred to as the "overnight" rule. Since same day travel does not meet these two requirements, the per diem paid for such travel is non-deductible.

Reimbursement of a non-deductible expense is considered income to the employee. Therefore, all per diem payments for same day travel paid since January 1, 1998 must be reported on the payroll change schedule as employee business expense reimbursements coded type "T".

Furthermore, all adjustments made as directed in the Department of Human Resources Development's memorandum entitled "Same Day Travel - \$20 Meal Allowance in Lieu of Per Diem" dated June 4, 1998 should also be reported once the additional amounts due have been paid to the employee. All summary warrant vouchers for any additional amounts owing should include a copy of the original statement of completed travel which authorized the payment of the "meal allowance" for the same day trip. The comptroller voucher number (CVN) should be noted next to the original \$20.00 payment.

If you have any questions, please call Sheila Walters of the Pre-Audit Branch at 586-0650.

RAYMOND H. SATO
State Comptroller